

EXHIBIT 2

**IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK**

LESLEY KNOX, et al.,)	
)	
)	
Plaintiffs,)	
v.)	Civil Action No. 03 CV 4466 (VM)
)	
THE PALESTINE LIBERATION)	
ORGANIZATION, THE PALESTINIAN)	
AUTHORITY, et al.,)	
)	
Defendants.)	
)	

DECLARATION OF PRIME MINISTER SALAM FAYYAD

Pursuant to 28 U.S.C. § 1746, I, Dr. Salam Fayyad, declare under penalty of perjury as follows:

1. I was born in Palestine, and I currently reside in East Jerusalem.
2. I am over eighteen years old, and I am competent to make this declaration.

Unless otherwise stated herein, the facts set forth below are based on my personal knowledge.

3. I currently am serving as the Prime Minister and Finance Minister of the Palestinian National Authority ("PNA").
4. I graduated with a Bachelor of Science degree from the American University of Beirut in 1975. In 1980, I received an MBA from St. Edward's University in Austin, Texas. I received a Ph.D. in Economics from the University of Texas at Austin in 1986.
5. I held several teaching and research assignments at the University of Texas at Austin and Yarmouk University (1983-1986) and was a Visiting Scholar at the Federal Reserve Bank of St. Louis (1986).

6. After receiving my Ph.D. in Economics from the University of Texas, I worked for the International Monetary Fund from 1987-2001, acting as resident representative in the West Bank and Gaza Strip from 1996-2001.

7. In June 2002, I was appointed Minister of Finance of the Palestinian National Authority and served in that capacity until December 2005.

8. On December 5, 2005, I resigned as Minister of Finance to found and lead a slate of candidates called “the Third Way.” In 2006, I was elected to the Palestinian Legislative Council (“PLC”) and served as Chairman of the PLC's Budget and Finance Committee.

9. On December 21, 2006, I was appointed the head of the Economic Affairs Department in the PLO, and an observing member of the PLO’s Executive Committee. I continue to serve in that capacity.

10. In March 2007, I was appointed as Finance Minister in the National Unity Government.

11. In mid-June 2007, President Abbas dissolved the National Unity Government in response to the violent takeover of Gaza by Hamas. President Abbas then created an Emergency Government, in which I was asked to serve as Finance Minister and Prime Minister. On July 13, 2007, I was reappointed to those positions as part of the current Caretaker Government.

12. As Finance Minister, my responsibilities include developing the Palestinian National Authority annual budget, implementing reforms to the PNA’s financial reporting system, and overseeing the preparation of reports on the financial operations of the PNA. In my capacity as Finance Minister, I have personal knowledge of the revenues and expenditures of the Palestinian National Authority and of its current financial condition.

13. As Finance Minister, I have made it a priority to lend greater transparency to the financial operations of the PNA. Toward that end, the Ministry of Finance relaunched its website at the end of March 26, 2008. *See www.pmo.ps/en*. As indicated in my statement on “Re-Launching of the Ministry of Finance’s Website,” a true and genuine copy of which is attached as Exhibit A, the Ministry of Finance has committed to post on this site monthly reports of our financial operations on the 15th of each month. The 2007 and 2008 financial reports that are referenced in this declaration all are posted on the Finance Ministry website. The PNA prepares its financial reports on a calendar year basis.

14. Attached as Exhibit B is a true and genuine copy of a summary of “PNA Fiscal Operations (2005-2008),” which was prepared in April 2008 by the Ministry of Finance under my direction. As shown in Exhibit B, the PNA’s deficit (excluding external financing) continued to increase over the 2005-2008 period, growing from \$1.049 billion for calendar year 2005 to \$1.660 billion for calendar year 2007.

15. Attached as Exhibit C is a true and genuine copy of a statement I presented on April 10, 2008, in connection with the submission of the 2008 draft budget to the President. As I explained in my statement, the 2007 fiscal deficit was an unsustainable 27% of GDP. Exh. C at 8. *See also*, IMF, “Macroeconomic and Fiscal Framework for the West Bank and Gaza, First Review of Progress,” Staff Report for the Meeting of the Ad-Hoc Liaison Committee, May 2, 2008, a true and genuine copy of which is attached as Exh. D, at 4 (“the 2007 recurrent fiscal deficit reached an unsustainable 27 percent of GDP”).

16. Even after external budgetary support (foreign aid) of \$1.012 billion in 2007, the PNA still had a 2007 budget deficit of \$338 million. Exh. B. The projected deficit for 2008 (excluding external financing) is \$1.851 billion. *Id.*

17. Attached as Exhibit E is a true and genuine copy of “Fiscal Operations Report for the PNA: Revenues, Expenditures and Financing Sources, 2006 & 2007,” dated March 16, 2008, which was prepared by the Ministry of Finance under my direction. For 2007, the PNA’s sources of revenues were as follows: (i) tax revenues collected by the Ministry of Finance, which include revenues from Income Tax, Value-Added Tax, Customs, Property Tax, and other Excises Revenues; (ii) non-tax revenues, which include fees and fines collected by various ministries, such as Services Fees, Stamp Fees, Borders’ Fees and fines; and (iii) clearance revenues, which are revenues earned as a result of the commercial transactions between Palestine and Israel. The clearance revenues accounted for the vast majority of the PNA’s revenues (\$896 million of \$1.194 billion total revenues for 2007). Exh. E, Table 1. Gross clearance revenues are collected by the PNA and by the Israeli authorities, and the net revenues are transferred to the Ministry of Finance monthly through the clearance sessions. These revenues include Customs, Value-Added Tax, Petroleum Excise Tax and Purchase Tax. Exh. E, Definitions and Terminology.

18. In 2007, the PNA’s total revenues were not sufficient to pay the gross wages and salaries of the PNA’s employees. *See* Exh. E, Table 1 (showing total revenues of \$1.194 billion and gross wages and salaries expenses of \$1.283 billion). In addition, the PNA has substantial non-wage expenditures (\$725 million in 2007), such as for “Operational Expenditures, Transfers and Minor Development and Capital Expenditures.” Exh. E, Definitions and Terminology and Table 1. The PNA also engages in substantial net lending (\$535 million in 2007), which consists of transfers to local governments to cover clearance revenue deductions by the Government of Israel for water, electricity, and health and Ministry of Agriculture services. *See* Exh. E, Definitions and Terminology and Table 1.

19. Attached as Exhibit F is a true and genuine copy of the PNA's financial statement for the first quarter of 2008, entitled "Ministry of Finance, Fiscal Developments: 1st Quarter 2008," and dated April 26, 2008. This report was prepared by the Finance Ministry at my direction. As reflected in the attached report, "[b]udgetary operations on a cash basis during the first quarter of 2008 (Q1) resulted in recurrent deficit, before external budget support, of \$317 million (table 1). While this deficit is expected to increase in the second quarter and stabilize thereafter, it is well within the PNA annual budget deficit projection of \$1.36 billion, when annualized (\$1.27 billion)." Exh. F at 2; *see also id.* Table 6.

20. As is also indicated in Exhibit F, the PNA expended \$7.2 million on PLO wages and salaries and operational expenses during the first quarter of 2008. Exh. F, Table 5. This large payment reflects the fact that the PNA is the primary revenue source for the PLO.

21. When Hamas won the legislative elections in January 2006, most donor countries imposed an embargo on foreign aid and boycotted the PNA and the Palestinian banking system. In addition, the Government of Israel withheld the transfer of clearance revenues, which account for over two-thirds of the PNA's tax revenues. These measures, which did not end until shortly after I became Prime Minister in June 2007, combined with the economic deterioration caused by the Government of Israel's tightening restrictions on trade and movement within the West Bank and the virtual lockdown of the Gaza Strip, deepened the PNA's economic crisis. As a result of severe budget shortfalls, government employees could not be paid their full salaries on time. The inability to pay salaries to government employees resulted in a protracted strike which damaged performance in education, health and social services. There were also major shortfalls in payments to the unemployed and the poor as well as to the government employees' pension funds. In addition to these shortfalls, the government incurred large payment arrears to the

private sector. Credit constricted when the banks forced the Authority to repay their loans to the extent of one third of all the external assistance obtained in 2006. The general downturn in economic activity, in turn, reduced the PNA's tax revenues. The PNA's financial situation was further exacerbated during 2006 as a result of a collapse in the financial discipline governing relations between the central government and the municipalities. Municipalities either failed to collect, or turned over only partial collections of, electric and other utility payments due the Government of Israel, with the result that the PNA was forced to pay \$535 million (over 10% of GDP) in what amounted to an unintended massive subsidy to the municipalities and electricity consumers. Exh. C at 7.

22. In mid-June 2007, after the National Unity Government was dissolved and the Emergency Government was established, the foreign aid embargo imposed by many of the donor countries was lifted. As the 2007 and first quarter 2008 financial statements show, the PNA is heavily dependent on foreign aid. In 2007, the PNA received \$1.012 billion in external budgetary support, nearly as much as its total 2007 revenues of \$1.194 billion. Exh. E, Table 1. In the first quarter of 2008, the largest source of funding for the PNA was aid from donor countries (\$526 million in donor aid, compared to \$332 million total net revenue). Exh. F, Table 1. For the first quarter of 2008, the largest donor was the European Union (\$180 million), followed by Arab Countries (\$153 million, mostly from the UAE and Saudi Arabia) and the United States (\$152 million). Exh. F at 2 and Table 7.

23. As a result of the PNA's budgetary crisis, an international conference of donors met in Paris in December 2007 to pledge financial assistance. At the December 2007 Paris donors' conference, donor countries pledged \$7.7 billion for 2008-2010, the vast majority of which is allocated to particular uses, such as budget support, development, and humanitarian aid.

As of the end of the first quarter of 2008, the PNA had received only \$720 million. Pledges for recurrent budgetary support, including amounts already disbursed as of mid-April, are estimated at \$1.2 billion, leaving a shortfall of \$400 million for 2008. Exh. D at 2.

24. A substantial amount of the foreign aid received since the Paris donors' conference has been used to address the public sector salary arrears and private sector arrears that built up during the January 2006-June 2007 period. In the first quarter 2008, the PNA repaid \$146 million in expenditure arrears. Exh. F at 3. An additional \$74 million was used to repay the banking system some advances and overdue amounts. *Id.* As shown in the final 2008 budget, a true and genuine copy of which is attached as Exhibit G, the PNA plans to spend a total of \$217 million in 2008 on the net arrears accumulation.

25. Despite the recent influx of foreign aid, the people in the Occupied Palestinian Authority continue to struggle financially and have significant unmet needs. Since December 2007, the depreciation of the dollar has decreased the value of international aid (which is provided in dollars) by 16%, thereby reducing substantially the value of the funds received from the donors. In addition, the recent financial crisis, and particularly the intensification of restrictions on movement and access, has caused a sharp economic contraction. In 2006, GDP declined by 5%. In 2007, some recovery took place during the second half of the year in the West Bank but was offset by a sharp deterioration in the economic situation in Gaza. Per capital income today is 40% lower than it was in 1999. Exh. C at 3. Unemployment in 2007 averaged 30 percent in Gaza and 18 percent in the West Bank. As of mid-2007, about 70 percent of households in Gaza and 56 percent in the West Bank live below the poverty line. Inflation has risen recently, reaching 11 percent in March 2008. Exh. D at 2; *see also* Exh. C at 3. Palestinian

infrastructure has deteriorated, private investment has declined, and the Palestinian productive base has been shrinking, undermining growth prospects in the future. Exh. C at 4.

26. It is my understanding that, as a condition for vacating the default judgment in this action, the Court has required the PNA and the PLO to post a bond in excess of \$192 million. As reflected in the attached financial statements of the PNA, and based on my knowledge of the current financial condition of the PNA, the PNA does not have the financial wherewithal to post the bond that the Court has ordered, and the PNA does not have the ability to secure financing for such a bond, whether through the use of current assets or from any projected net income.

27. The PNA is dependent on substantial foreign aid simply to meet its basic budgetary requirements. When making pledges of aid, the donor countries often direct that the aid be targeted to particular uses, which would not include use as collateral for a bond in U.S. litigation. Even as to donations that are not so targeted, there would be a substantial negative impact on future donations if donor countries learn that funds have been used for U.S. litigation rather than for providing relief in the Occupied Palestinian Territory. Even if it were possible to obtain authorization from donor nations to divert aid to fund a \$192 million bond, such a diversion of foreign aid from payment of salaries and provision of basic services would cause further political unrest at a time when the moderate Caretaker Government is working to restore confidence that it is better able than Hamas to provide for basic needs of Palestinians living in the Occupied Palestinian Territory.

28. Based on my extensive efforts over the past year in attempting to obtain donations and financing for the PNA for budgetary support, development projects, and humanitarian aid, I am confident that the PNA cannot obtain financing from private lenders for a \$192 million bond.

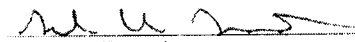
Even if it were possible to secure such financing, the terms would be so onerous that the PNA would not be able to service the debt given its budget deficit.

29. I have authorized the offer of the posting of a \$15 million bond. Even a bond in this amount will pose substantial hardships on the current Government and the Palestinian people. Moreover, that amount of money is more than sufficient to ensure that the PNA and the PLO will defend this case on its merits through its conclusion.

30. I am aware that this declaration is being filed in support of a motion by the PNA and PLO to reduce the bond that the Court has ordered as a condition of vacating the default judgment in this action. I have authorized the use of my declaration for such a purpose.

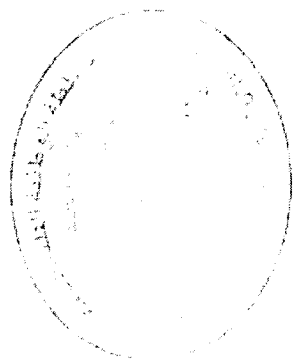
I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed on this _____ day of May, 2008, in Ramallah, Occupied Palestinian Territory.



Dr. Salam Fayyad
Prime Minister of the Palestinian National Authority
Finance Minister of the Palestinian National Authority

EXHIBIT B



PNA Fiscal Operations (2005-2008)
(In millions of US dollars)

	2005	2006	2007	2008
	Actual		Preliminary	Budget projection
Total revenues	1,232	1,148	1,194	1,486
Gross domestic revenues	476	379	298	419
Clearance revenues	757	770	896	1,067
Total expenditures and net lending	1,994	2,275	2,543	2,845
Gross wages and salaries	1,001	1,192	1,283	1,481
Non wage expenditures	649	746	725	964
Net lending	344	337	535	400
Balance before external budgetary support	-762	-1,127	-1,350	-1,359
External budgetary support	349	738	1,012	1,635
Recurrent balance including budgetary support	-412	-424	-338	275*
Externally financed development expenditures	287	281	310	492
Overall balance (excluding external financing)	-1,049	-1,408	-1,660	-1,851

* Repayment of wage and private sector arrears

EXHIBIT E



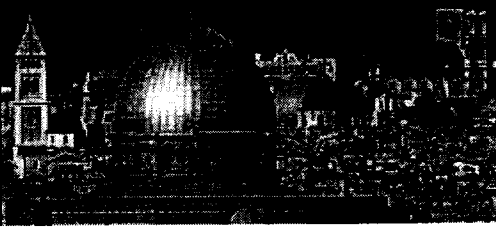
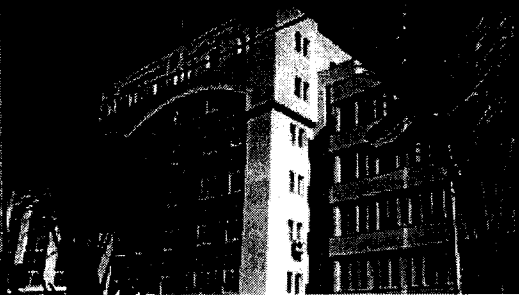
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General Letter 2006\2007

Date: 16 March, 2008

Fiscal Operations Report for the Palestinian National Authority

Revenues, Expenditures and Financing Sources

2006 & 2007

The General Administration of General Accounts of the Palestinian Ministry of Finance hereby presents the first Fiscal Operations Report for the Palestinian National Authority, PNA for the years 2006, 2007. This report was made recently for the first time in the Ministry of Finance where it illustrates detailed fiscal operations for terms of revenues and expenditures for the PNA on cash and commitment bases. It shows the amount of commitment, cash and arrears for every item. This report has been achieved in order to be consistent with the classification used by International Monetary Fund used in the preparation of the financial statements.

The compilation of the report for the aforementioned years for PNA revenues and expenditures was done on an accrual basis of accounting and with an identification of arrears. The data recorded in the financial system used in the previous years was based on cash basis. Under this system commitments and arrears cannot be determined; we had to determine the commitments and arrears manually, which consumed great efforts to collect data from inside and outside the Ministry through coordinating with related ministries, institutions and departments. In presenting this report, we send our gratitude and appreciation to a dedicated team of MOF officials who contributed in compiling this report.

First: Fiscal Operations Report for the Palestinian National Authority for the year 2006:

1- This report was accomplished despite the difficulties that appeared in the accounts of the financial year 2006, namely:

- a) Difficulty in determining expenditures accounts because expenditures were channeled through different channels, some of which were outside the financial system of Ministry of Finance; for example, cash, European Union assistance, Office of the President, ministries, World Bank assistance, Clearance Revenue Deductions, and Banks who pay dues through deducting from outstanding loans from accounts of received or accrued taxes for the Ministry of Finance. Moreover, some companies have withheld taxes in order to clear PNA expenditure arrears.
- b) Difficulty in determining revenues due to defects problems related to the operation of the single treasury account. Revenue accounts were dispersed with different banks and different accounts. After the Israeli postal bank stopped dealing with the government during that period, there was a negative impact on tax revenue accounts. Some of the local banks had stopped dealing with the government too and that was another problem that was an obstacle to the estimation of the revenues. This had a negative impact on the maintenance of the non-tax revenue accounts especially those concerned with transportations revenues collected from bank branches in transportations departments. Furthermore, the discontinuation of transferring clearance revenues by the Israeli side created difficulties in obtaining data on the accounts of those revenues.

Consequently, fiscal data were incomplete and inaccurate. Monthly reports for 2006 were therefore carefully reviewed and corrected to produce a valid report.

- 2- We resorted to this report as a result to the inaccuracy of 2006 accounts that were due to the institutional breakdown which occurred, at that time. Most of the financial commitments could not be paid, which resulted in increasing the percentage of unpaid arrears. Since cash basis accounting does not show commitments, this comprehensive fiscal report shows cash basis and accrual basis that provides a clearer picture of the financial status of the PNA in that year.
- 3- It should be noted that data for 2004-2005 are presented purely for comparison, and that these data have not been reviewed and corrected in the same manner as with data for 2006.

Second: Fiscal Operations Report for the Palestinian National Authority for the year 2007: Since the first half of the year 2007 fiscal operations were done in the same manner as in the year 2006, and since the accounts of the operations were managed in the second half of 2007, the fiscal report of 2007 followed the same procedures as those used on data for 2006.

To aid the reader in comparing, data was sorted in tables as follows:

1- Monthly Report.

2- Quarterly and half-yearly report, (the annual report is to be compared with that of 2006).

Third: Each report for the PNA Fiscal operations (Revenues, Expenditures and Financing Sources) consists of the five tables as follows:

Table1: PNA Fiscal operations Revenues, Expenditures and Financing Sources, (commitment basis) .

Table 2: PNA Detailed Fiscal operations Revenues, Expenditures and Net Lending (commitment basis) .

Table 3: PNA Fiscal operations Revenues, Expenditures and Financing Sources, (cash basis) .

Table 4: Report for Consolidated Statement of PNA of Fiscal operations Revenues, Expenditures and Financing Sources, (cash and commitment basis)

Table 5: External Financing for the PNA budget.

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Definitions and Terminology

DATE: 16 March,2007

Fiscal Operations Report for the Palestinian National Authority

Revenues, Expenditures and Financing Sources

Definitions and Terminology:

Gross Domestic Revenues: includes tax and non-tax revenues collected by the Ministry of Finance and other ministries directly into the consolidated Single Treasury Account (STA).

Tax Revenues: includes Income Tax, Value-Added Tax (VAT), Customs, Property tax and other Excises Revenues. Tax revenue is calculated as net of tax refunds (Tax revenues – Tax Refunds = Net Tax Revenues).

Non-tax Revenues: includes fees and fines collected by various ministries such as Services Fees, Stamp fees, Borders' Fees and fines.

Clearance Revenues: the revenues which are earned as a result of the commercial transactions between Palestine and Israel. These are collected by the PNA and by Israeli authority and the net revenues are transferred to the Ministry of Finance monthly through the clearance sessions. These revenues include Customs (which are imposed on imports for the PNA or as a result of direct imports through ports and are collected by Israel on behalf of the PNA), Value- Added Tax (VAT), Petroleum Excise Tax and Purchase Tax.

Wages and Salaries Expenditures: includes wages and salaries of permanent civilian and security employees.

Non-wage Expenditures: includes Operational Expenditures, Transfers and Minor Development and Capital Expenditures.

Net Lending: includes transfers to local government to cover clearances revenue Deductions by GOI for water, electricity, and health and Ministry of Agriculture services.

External budget support: includes transfers by donor countries to support the budget of the Palestinian National Authority.

Other sources of financing: include any financing outside external budget support, such as from the Palestinian Investment Fund, loans and overdrafts from domestic commercial banks.

Palestinian Investment Fund: includes payments by the Palestinian Investment Fund to the PNA as advances against yearly profits earmarked by the PIF Board to the PNA.

Financing from domestic commercial banks: includes loans and overdrafts provided to the Palestinian National Authority by commercial banks.

Balance: the difference between total domestic revenues and external budget support and total expenditures and net lending.

Residual: remaining balance after adding other sources of financing.

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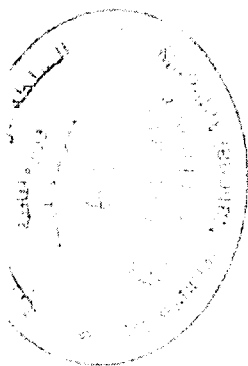


Table 1: Monthly Report on PNA Fiscal Operations - Revenues, Expenditures and Financing Sources (Commitment Basis), 2007

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Total 2007
(In millions of US dollars)													
Total revenues	98	116	92	101	90	105	106	99	97	85	100	103	1,194
Gross domestic revenues	28	49	28	34	26	23	20	24	21	18	22	30	323
Tax revenues	20	35	17	18	16	15	12	16	14	12	15	12	202
Non-tax revenues	9	14	10	16	10	8	9	8	8	5	7	18	122
Gross clearance revenues	70	67	65	68	65	87	89	75	78	71	82	79	896
Tax refunds	0	0	0	0	0	5	4	1	2	4	4	6	25
Total expenditures and net lending	175	255	184	177	219	257	209	202	227	227	199	212	2,544
Gross wages and salaries	112	114	113	113	113	116	103	100	101	100	98	101	1,283
Non-wage expenditures (1)	34	41	49	52	51	56	74	68	67	72	89	69	725
Net lending (2)	28	100	23	12	55	84	31	34	59	55	12	42	535
External budgetary support	48	53	118	68	206	61	74	68	84	69	40	163	1,612
Balance after external budgetary support	-28	-87	26	-8	77	71	-19	-36	-46	-72	-59	-6	-1,338
Development expenditures													310
Overall balance (including capital expenditures)													-648
Total other financing	28	87	-26	8	-77	71	29	36	-46	72	59	6	648
Net expenditure arrears accumulation (+)	39	-5	12	84	30	-22	-83	-6	-29	-37	-32	-17	-23
Net clearance revenue arrears accumulation	36	115	-62	-66	-24	-23	15	141	116	125	54	5	422
Palestinian Investment Fund advances	8	25	7	6	11	0	5	15	0	0	0	0	78
Net domestic bank financing	-66	30	11	-44	-80	50	45	3	-78	40	0	-44	-132
External debt	0	0	0	0	0	0	0	0	0	0	0	0	0
External financing for development expenditures													310
Residual	12	-79	5	29	-14	32	47	-118	36	-55	36	62	-6
Administrative items													
Exchange rate budget	420	420	420	420	420	420	420	420	420	420	420	420	4,200
Exchange rate spread (annual average)	410	410	410	410	410	410	410	410	410	410	410	410	4,100

(1) Includes arrears interest for amortizable (fixed) development expenditure.
(2) Includes amounts related to the financing of development projects.

Table 2 : Monthly PNA Detailed Fiscal Operations - Revenues, Expenditures and Net Lending (Commitment) 2007

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
	(In millions of US dollars)												
Total net revenues	98	116	92	101	90	105	106	99	97	85	100	103	1,194
Gross domestic revenues	28	49	28	34	26	23	20	24	21	18	22	30	323
Income	6	25	7	7	6	5	4	7	7	5	6	4	86
VAT	6	7	6	6	4	4	3	4	3	3	4	3	55
Customs	0	0	0	0	1	0	0	0	0	1	1	1	7
Property	0	0	0	0	0	0	0	0	0	0	0	0	1
Others: Excises	7	2	3	5	5	5	5	5	5	4	3	4	53
Non-tax revenues	9	14	10	16	10	8	9	8	8	5	7	18	122
Clearance revenues	70	67	65	68	65	87	89	75	78	71	82	79	896
Customs	25	24	20	22	22	29	24	27	26	21	25	22	286
VAT	22	24	22	27	20	34	41	22	27	24	27	30	321
Petroleum	23	19	23	19	22	23	22	23	24	27	30	27	283
Purchase tax	0	0	0	0	0	0	1	3	0	0	0	0	6
Tax refunds	0	0	0	0	0	5	4	1	2	4	4	6	25
Total expenditures and net lending	175	255	184	177	219	257	209	202	227	227	199	212	2,544
Wage and salaries expenditures	112	114	113	113	113	116	103	100	101	100	98	101	1,283
Civil service	23	86	54	49	99	96	221	113	136	140	146	207	1,369
Police and security	89	28	59	64	14	20	-117	-13	-35	-41	-48	-106	-86
Non-wage expenditures (1)	34	41	49	52	51	56	74	68	67	72	89	69	725
Operational expenditures	3	8	6	12	14	20	18	19	10	16	35	7	167
Transfers	13	16	24	22	19	18	38	31	40	39	35	44	340
Minor development expenditures	0	0	1	0	1	1	1	2	1	0	2	1	9
Other non-wage expenditures (2)	18	18	18	18	18	18	17	17	17	17	17	17	210
Net lending	28	100	23	12	55	84	31	34	59	55	12	42	535
Direct net lending	25	45	20	10	20	38	20	19	36	32	9	18	293
Counterpart of clearance revenue deductions by Israel	3	56	2	2	35	46	12	15	23	23	2	24	242
Memorandum items													
Exchange rate, budget	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20	4.20
Exchange rate, actual (annual average)	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10

(1) Including minor outlays for domestically financed development expenditure.

(2) Including transfers related to the marketing of petroleum products

Table 3 : Monthly Report on PNA Fiscal Operations - Revenues, Expenditures and Financing Sources (Cash Basis), 2007

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Total 2007
(In millions of US dollars)													
Total net revenues	134	231	30	36	66	72	121	240	214	210	154	108	1,616
Gross domestic revenues	28	49	28	34	26	23	20	24	21	18	22	30	323
Tax revenues	20	35	17	18	16	15	12	16	14	12	15	12	202
Non-tax revenues	9	14	10	16	10	8	9	8	8	5	7	18	122
Gross clearance revenues	105	182	2	2	41	53	104	217	195	196	136	84	1,318
Tax refunds	0	0	0	0	0	5	4	1	2	4	4	6	25
Total expenditures and net lending	136	268	172	94	190	235	292	209	256	264	231	229	2,567
Gross wages and salaries	23	86	54	49	99	96	221	113	136	148	146	207	1,369
Non-wage expenditures (1)	85	74	95	33	36	55	40	61	61	69	73	-19	663
Net lending (2)	28	100	23	12	55	84	31	34	59	55	12	42	535
Balance	-2	-39	-142	-58	-124	-103	-71	32	-42	-54	-77	-121	951
External budgetary support	48	53	118	68	206	81	74	68	84	69	40	103	1,012
Balance after external budgetary support	46	34	-24	10	83	-82	-98	99	-32	-15	-37	-118	61
Development expenditures													310
Overall balance (including development expenditures)													-249
Total other financing	-46	-24	24	-10	-83	82	98	-99	-42	-15	37	18	249
Palestinian Investment Fund advances	8	25	7	6	11	0	5	15	0	0	0	0	78
Net domestic bank financing	-66	30	11	-44	-80	50	-45	3	-78	-40	0	-44	-132
External debt	0	0	0	0	0	0	0	0	0	0	0	0	0
External financing for development expenditures													310
Residual	12	-79	5	29	-14	12	47	-118	36	-55	36	62	-6
Memorandum items													
Exchange rate budget	420	420	420	420	420	420	420	420	420	420	420	420	420
Exchange rate actual (annual average)	410	410	410	410	410	410	410	410	410	410	410	410	410

(1) Including minor outlays for developmentally financed development expenditure

(2) Including transfers related to the marketing of petroleum products

Table 4 : Monthly Consolidated Statement on PNA Fiscal Operations - Revenues, Expenditures and Financing Sources (Cash Basis and Commitment Basis), 2007

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Qtr-07	Year-07	Dec-07 Total 2007
	(in million US dollars)											
Total revenues	99	114	92	101	90	105	106	99	97	85	100	1,194
Lease income-rentals	24	28	28	34	24	23	26	24	21	18	21	240
Corporate services income	70	87	65	68	65	87	80	75	76	71	81	894
Other revenues	105	122	2	2	41	53	104	217	193	196	136	1,318
Charges credits (oil services administration)	-36	-113	42	64	34	33	-15	-141	114	-125	-54	-422
Tax revenue	0	0	0	0	0	5	4	1	2	4	4	25
Total expenditures and net financing (commitment basis)	179	259	184	193	215	257	299	302	327	329	349	3,544
Wage expenditures (commitment)	113	114	112	113	113	114	103	109	101	100	98	1,283
Wage expenditures cash	83	84	84	89	89	88	72	113	104	140	146	1,309
Wage expenditures (net arrears accumulation)	30	30	28	24	24	26	31	-13	-3	-41	-48	-86
Remaining expenditures (commitment)	66	145	72	80	102	143	196	193	226	229	251	2,261
Remaining expenditures cash	34	41	49	52	51	56	74	64	67	72	89	725
Remaining expenditures (net arrears accumulation)	32	74	23	28	51	87	122	129	159	157	162	1,536
Net wage expenditure (net arrears accumulation)	-50	-13	-46	-20	13	3	34	7	6	3	16	62
Net capital	121	106	23	13	55	84	31	24	49	59	12	535
Balance (commitment basis)	-76	-140	-92	-76	-129	-152	-103	-103	-130	-142	-99	-1,350
Total expenditures (net arrears accumulation)	39	5	12	84	30	22	-43	-4	-29	-37	-23	-17
Total expenditures (net arrears accumulation) net of wage expenditure (net of transformation from wage collect)	-36	-113	42	64	34	33	-15	-141	114	-125	-54	-422
Remaining cash items	-2	-29	-142	-50	-124	-163	171	32	-42	-54	-77	-121
Total remaining cash items	48	53	110	68	96	81	74	64	84	69	49	183
Balance (commitment basis, after arrears budgetary support)	-28	-47	-28	4	44	71	28	-36	-48	-52	-28	-336
Balance cash items after arrears budgetary support	16	24	34	10	81	42	49	95	43	15	21	81
Unexpended expenditures												110
On all revenues, including development expenditures :												249
Total other financing	-46	-24	24	-10	-43	32	96	-99	-42	-19	37	18
Participation Investment Fund advance	8	25	7	4	14	6	4	15	0	0	0	79
Net income from financing	-46	30	11	-44	-29	26	45	3	-78	-49	0	-44
External debt	0	0	0	0	0	0	0	0	0	0	0	0
External financing for development expenditure	12	78	5	38	16	32	43	118	34	-25	34	62
Remaining items												4
(Without the factor)	479	429	420	420	429	429	429	429	420	420	420	4,200
(Without the factor, except)	4,10	4,10	4,10	4,10	4,10	4,10	4,10	4,10	4,10	4,10	4,10	4,100

(1) Including other equity for development (including investment in private sector)

(2) Including transfers related to the marketing of petroleum products

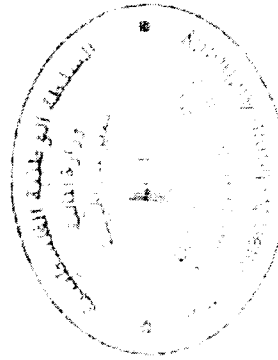


Table 5 : Monthly Report on PNA External Budget Financing, 2007

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Table 1: PNA Fiscal Operations - Revenues, Expenditures and Financing Sources (Commitment Basis), 2007
Quarterly, Semiannually, Annually (in comparison with Year 2006)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Jun	Jul-Dec	Total
(In millions of U.S. dollars)							
Total net revenues	306	297	302	288	603	590	1,194
Gross domestic revenues	105	82	66	70	188	136	323
Tax revenues	72	48	42	40	120	81	202
Non-tax revenues	33	34	25	30	67	55	122
Gross clearance revenues	202	219	243	232	421	475	896
Tax refunds	0	5	7	14	5	20	25
Total expenditures and net lending	614	654	638	638	1,268	1,276	2,544
Gross wages and salaries	339	342	304	299	681	602	1,283
Non-wage expenditures (1)	124	160	210	231	284	441	725
Net lending (2)	151	152	124	108	302	233	535
External budgetary support (3)	219	355	226	212	574	438	1,012
Balance after external budgetary support	-89	-2	-110	-137	-90	-148	-338
Development expenditure							310
Overall balance (including development expenditures)							-648
Total other financing	89	2	110	137	90	248	648
Net expenditure arrears accumulation (+)	46	135	-119	-86	181	-205	-23
Net clearance revenue arrears accumulation (-)	88	-123	273	184	-35	457	412
Palestinian Investment Fund advances	41	16	21	0	57	21	78
Net domestic bank financing	-25	-74	-30	-4	-99	-34	-132
External financing for development expenditures							310
External debt	0	0	0	0	0	0	0
Residual	-82	47	-35	43	-15	9	-6
Major non-debt items							
Exchange rate, budget	420	420	420	420	420	420	420
Exchange rate, actual (annual average)	410	410	410	410	410	410	410

(1) Includes minor outlays for domestically financed development expenditure
(2) Including transfers related to the marketing of petroleum products



Table 2: PNA Detailed Fiscal Operations - Revenues, Expenditures and Financing Sources (Commitment Basis), 2007
Quarterly, Semiannually; Annually (in comparison with Year 2006)

	Jan-Mar	Feb-Jan	Jul-Sep	Oct-Dec	Jan-Jun	Jul-Dec	Total
	(In millions of US dollars)						
Total net revenues	306	297	302	288	603	590	1,194
Gross domestic revenues	105	82	66	70	188	136	323
Income	39	18	15	15	56	30	86
VAT	20	14	10	11	33	21	55
Customs	1	2	1	3	3	4	7
Property	1	0	0	0	1	0	1
Others- Exchanges	12	15	15	11	27	26	53
Nontax revenues	33	34	25	30	67	55	122
Clearance revenues	202	219	243	232	421	475	896
Customs	69	73	78	67	142	145	286
VAT	68	82	90	81	149	171	321
Petroleum	65	65	70	84	130	153	283
Purchase tax	0	0	5	1	0	6	6
Tax refunds	0	5	7	14	5	20	25
Total expenditures and net lending	614	654	638	638	1,268	1,276	2,544
Wage and salaries expenditures	339	342	304	299	681	602	1,283
Civil service	163	243	470	493	407	963	1,369
Police and security	176	99	-166	-194	274	-360	-86
Nonwage expenditures (1)	124	160	210	231	284	441	725
Operational expenditures	17	45	47	58	62	105	167
Transfers	53	60	108	118	113	227	340
Minor development expenditures	1	1	4	3	2	7	9
Other nonwage expenditures	54	53	51	51	107	103	210
Net lending (2)	151	152	124	108	302	233	535
Direct net lending	90	68	75	60	159	134	293
Counterpart of clearance revenue deductions by Israel	61	83	50	49	144	98	242
Memorandum items							
Exchange rate, budget	4.20	4.20	4.20	4.20	4.20	4.20	4.20
Exchange rate, actual (annual average)	4.30	4.10	4.10	4.30	4.10	4.10	4.10

(1) Including minor outlays for domestically financed development expenditure

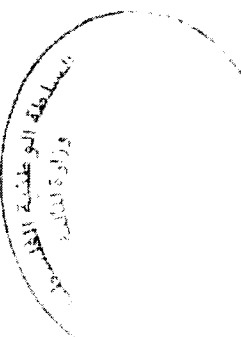
(2) Including transfers related to the marketing of petroleum products

Table 3 : PNA Fiscal Operations Revenues, Expenditures and Financing Sources (Cash Basis), 2007
 Quarterly, Semiannually, Annually (in comparison with Year 2006)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Jun	Jul-Dec	Total
Total net revenues	395	174	575	472	569	1,047	1,616
Gross domestic revenues	105	82	66	70	188	136	323
Tax revenues	72	48	42	40	120	81	202
Non-tax revenues	33	34	25	30	67	55	122
Gross clearance revenues	290	96	515	416	386	932	1,318
Tax refunds	0	5	7	14	5	20	25
Total expenditures and net lending	568	519	757	724	1,086	1,481	2,567
Gross wages and salaries	163	243	470	493	407	963	1,369
Non-wage expenditures (1)	254	124	163	123	377	286	643
Net lending (2)	151	152	124	108	302	233	535
Balance	-173	-345	-182	-252	-518	-434	-951
External budgetary support	219	355	226	212	574	438	1,012
Balance after external budgetary support	46	11	44	-40	57	4	61
Development Expenditures							310
Overall balance (including development expenditures)							-249
Total other financing	-46	-11	-44	40	-57	-4	249
Palestinian Investment Fund advances	41	16	21	0	57	21	78
Net domestic bank financing	-25	-74	-30	-4	-99	-34	-132
External financing for development expenditures							310
External debt	0	0	0	0	0	0	0
Residual	-62	47	-35	43	-15	9	-6
<i>Memorandum items</i>							
Exchange rate, budget	4.20	4.20	4.20	4.20	4.20	4.20	4.20
Exchange rate, actual (annual average)	4.10	4.10	4.10	4.10	4.10	4.10	4.10

(1) Including major outlays for domestically financed development expenditures.

(2) Including transfers related to the marketing of petroleum products.



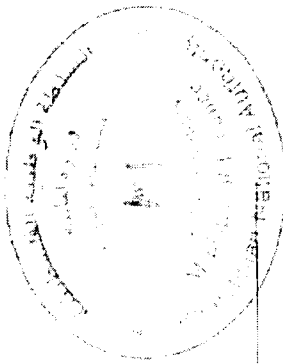


Table 4: PNA Consolidated Statement on Fiscal Operations - Revenues, Expenditures and Financing Sources (Cash basis, and Commitment), 2007
Quarterly, Semiannually, Annually (in comparison with Year 2006)

	Jan-Mar	April-Jun	Jul-Sep	Oct-Dec	Jan-Jun	Jul-Dec	Total
(in millions of US dollars)							
Total net revenue	306	297	392	298	603	590	1,194
Gross domestic revenue	105	82	66	78	188	136	323
Clearance revenue (received)	202	219	243	232	421	475	896
Clearance revenue (cash)	290	96	515	416	386	932	1,318
Clearance revenue (net arrears accumulation)	-88	123	-273	-184	36	-457	-422
Tax refunds	0	5	7	0	5	20	25
Total expenditure and net lending (commitment basis)	614	654	638	638	1,268	1,276	2,544
Wage expenditures (commitment)	339	342	304	0	681	602	1,283
Wage expenditures (cash)	163	243	478	-483	467	963	1,389
Wage expenditure (net arrears accumulation)	176	99	-166	0	274	-360	-86
Non-wage expenditures (commitment) (1)	124	169	210	231	284	441	725
Non-wage expenditures (cash)	254	124	163	133	377	286	663
Non-wage expenditure (net arrears accumulation)	-129	36	47	108	-93	155	62
Net lending (2)	151	152	124	108	302	213	535
Balance (commitment basis)	-308	-357	-336	-356	-665	-686	-1,250
Balance (cash basis)	46	135	-119	-84	181	-205	-23
Balance (net clearance withheld (+) or transferred from past collections (-))	-88	123	-273	-184	35	-457	-422
Balance (cash basis)	-173	-345	-182	-252	-518	-434	-951
Balance (commitment basis, after external budgetary support)	219	355	226	212	574	438	1,012
Balance (cash basis, after external budgetary support)	-89	-2	-110	-137	-99	-240	-338
Balance (cash basis, after external budgetary support)	46	151	44	30	57	4	61
Development expenditure							
Overall balance (including development expenditures)							
Total other financing	-46	-11	-44	48	-57	-4	249
Palestinian Investment Fund advances	41	16	21	0	57	21	78
Net domestic bank financing	-25	-74	-30	-4	-99	-34	-132
External financing for development expenditure	0	0	0	0	0	0	0
External debt	0	0	0	0	0	0	0
Residual	-42	47	-35	43	-15	9	-6
Memorandum items							
Exchange rate budget	420	420	420	420	420	420	420
Exchange rate (actual/commitment average)	4.10	4.10	4.10	4.10	4.10	4.10	4.10

(1) Including minor values for domestically financed development expenditure
(2) Including values related to the marketing of domestic products

Table 5 : PNA External Budget Financing, 2007
Quarterly, Semiannually; Annually (in comparison with Year 2006)

	Jan-Mar	April-Jun	July-Sep	Oct-Dec	Jan-June	July-Dec	2,007 Total
(in millions of US dollars)							
Total Grants	219.1	355.2	225.5	212.2	574.2	437.8	1012.0
Qatar	44.7	65.4			110.1		110.1
United Arab Emirates	30.0	80.0			110.0		110.0
Kingdom of Saudi Arabia	47.5	49.9	30.3		97.4	30.3	127.7
Algeria		52.8	0.0		52.8	0.0	52.8
Kuwait			14.8	18.6		33.4	33.4
Iraq			10.0			10.0	10.0
France			20.3			20.3	20.3
Sweden				2.9		2.9	2.9
Norway		10.1		31.0	10.1	31.0	41.1
USA				4.7		4.7	4.7
United Kingdom				6.0		6.0	6.0
European Union			0.0	7.7		7.7	7.7
Temporary International Mechanism (Windows I)	92.9	93.6	139.3	133.0	186.5	272.3	458.8
Temporary International Mechanism (Window I)	4.0	3.4	10.8	8.3	7.4	19.2	26.5
Loans							
Total external financing							1,012.0